

Message Text

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ORIGIN DOE-15

INFO OCT-01 EA-10 ISO-00 EPA-01 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /128 R

DRAFTED BY DOE/IA:DALBERT
APPROVED BY EB/ORF:SWBOSWORTH
IA/DOE:JTREAT
ERA:DROBINSON
EA/J:SMCDONALD
EB/ORF/FSE:REHECKLINGER

-----122434 082150Z /73

P 082121Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L STATE 145843

E.O. 11652: GDS

TAGS: ENRG, TECH, JA, US

SUBJECT: EXPORT OF ALASKA OIL TO JAPAN

REF: TOKYO 09731

1. AS REQUESTED IN REFTTEL THE FOLLOWING ARE VERBATIM
EXCERPTS OF DR. JAMES R. SCHLESINGER'S PRESS CONFERENCE
OF MAY 26, 1978 RELATING TO POSSIBLE ALASKAN CRUDE OIL
EXPORTS.

2. QUESTION: "DR. SCHLESINGER, WOULD YOU EXPAND ON
YOUR COMMENTS ON THE ALASKAN OIL ACCESS ON THE WEST COAST
AND HOW THE ITEMS THAT YOU MENTIONED WOULD SOLVE THAT?
HOW WOULD THE ENTITLEMENTS PROGRAM BE USED TO ELIMINATE
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THAT IF THAT WERE THE CHOICE, OR WHERE WOULD RESID
COME FROM FOR EXPORT? WOULDN'T THAT CONTRAVENE THE
CONGRESSIONAL PROHIBITION OF EXPORTS?"

3. RESPONSE: "NO. THERE IS NO PROHIBITION ON THE
EXPORT OF PRODUCTS, IN THE FIRST PLACE AS I INDICATED, WE
ARE CONSIDERING THAT. I SHOULD NOT INDICATE ANYTHING MORE

THAN A CONSIDERATION AT THIS JUNCTURE. THE PROBLEM THAT WE HAVE ON THE WEST COAST IS A BACKINGOFF OF PRODUCTION OF CALIFORNIA HEAVY CRUDE, SOME LIMITED AMOUNT, BUT SOME HAS BEEN SHUT-IN OF LATE. THIS IS A MATTER OF CONCERN TO US."

4. QUESTION: "YOU ARE TALKING ABOUT SOME POTENTIALLY, SOME EXPORTS OF CALIFORNIA RESID THEN?"

5. RESPONSE: "YES SIR."

6. QUESTION: "I GUESS I MISUNDERSTOOD BECAUSE THAT FOLLOWED RIGHT ON THE ALASKA OIL SITUATION. YOU TALKED ABOUT THE NEED FOR A SECOND PIPELINE EVENTUALLY, AND THEN WENT IMMEDIATELY INTO THIS, AND I CONFUSED THE TWO."

7. RESPONSE: "I AM SORRY. I SHOULD EMPHASIZE THAT WE ARE NOT AT THIS TIME CONTEMPLATING THE EXPORT OF ALASKAN CRUDE. I THINK THAT IS WHAT THE CONGRESS HAD IN MIND IN IMPOSING THIS RESTRICTION."

8. QUESTION: "ARE YOU CONTEMPLATING ANY EXPORT OF ALASKA OIL IN ANY FORM?"

9. RESPONSE: "WE ARE NOT AT THIS TIME CONTEMPLATING THAT. WE WOULD HAVE TO GO TO THE CONGRESS TO ASK FOR CONFIDENTIAL

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RELEASE FROM THE RESTRICTION, AND THERE IS SUBSTANTIAL RESISTANCE TO THAT, AS YOU KNOW, ON THE HILL. THERE ARE CERTAIN ADVANTAGES IN THAT. THERE IS ALSO SOME POLITICAL RESISTANCE"

10. END OF VERBATIM EXCERPTS.

11.FYI:WITH RESPECT TO JAPANESE INTERPRETATION PLEASE NOTE THE FOLLOWING.

12. IN THE SUMMER OF 1977 THE PRESIDENT DECIDED NOT TO AUTHORIZE THE EXPORT OR SWAP OF ALASKAN CRUDE OIL. THAT DECISION WAS MADE SHORTLY AFTER CONGRESS ADOPTED AMENDMENTS TO THE EXPORT ADMINISTRATION ACT WHICH WOULD SUBJECT SUCH APPROVAL OF EXPORTS TO A ONE-HOUSE CONGRESSIONAL VETO PROCEDURE. OUR DISCUSSIONS WITH MEMBERS OF

THE HOUSE OF REPRESENTATIVES INDICATED THAT THE HOUSE CLEARLY WOULD NOT APPROVE EXPORTS OF ALASKAN OIL. THE PRESIDENT WAS ALSO CONCERNED THAT APPROVAL OF EXPORTS WOULD RELIEVE PRESSURE ON THE OIL INDUSTRY AND OTHERS TO ADOPT LONG-RANGE SOLUTIONS TO THE WEST COAST SURPLUS

PROBLEMS, SUCH AS THE RETROFITTING OF REFINERIES OR THE
CONSTRUCTION OF WEST-TO-EAST PIPELINES.

13. THERE HAS BEEN NO SIGNIFICANT CHANGE IN THIS
SITUATION SINCE LAST YEAR, EXCEPT THAT THE WEST COAST
CRUDE OIL MARKET HAS BECOME SOMEWHAT MORE DISTRESSED.
THE POLITICAL SITUATION REMAINS THE SAME. FOR THIS
REASON, NO ACTIVE CONSIDERATION NOW IS BEING GIVEN TO THE
EXPORT OF ALASKAN OIL, ALTHOUGH IT CONTINUES TO MAKE
SOME SENSE ECONOMICALLY. RATHER, THE ADMINISTRATION IS
CONSIDERING MEASURES TO ALLOW THE EXPORT OF SURPLUS RE-
SIDUAL FUEL OIL ON THE WEST COAST AND TO OPEN UP
MARKETS FOR CALIFORNIA CRUDE OIL IN GULF AND EAST
COAST REFINERIES. VANCE
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NNN

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